Rajasthan defers staff salaries as revenues dry up

With depleting income amid the extended lockdown and mounting healthcare bills, Gehlot urges massive infusion of funds

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The revenue collection in Rajasthan in the first month of fiscal 2020-21, after the COVID-19 lockdown was enforced, has fallen by 70%, even as there was a shortfall of ₹8,000 crore in the last fiscal 2019-20, according to the State Finance Department.

While the State had budgeted for revenues of ₹8,400 crore, including ₹6,800 crore through taxes and GST compensation and ₹1,600 crore of non-tax revenue, it has achieved only ₹1,800 crore by April-end.

Massive shortfall

In March, there was a shortfall of ₹2,500 crore, putting the State in a fiscal crisis. Rajasthan has allocated ₹2,200 crore for the expenses to deal with the impact of COVID-19, including the expenditure for providing free wheat under the public distribution system to the beneficiaries of National Food Security Act.

The biggest decline in tax revenue earnings has been witnessed in stamp duty and registration and vehicle taxes, as there was almost no sale of property and vehicles during the lockdown. Against the target of ₹496 crore for stamp duty and registration in April, the State has got only ₹6 crore. For vehicle tax, the target was ₹550 crore, while the State collected only ₹8 crore.

In view of the adverse impact on revenue collection of States due to the lockdown, Chief Minister Ashok Gehlot, who also holds the finance portfolio, has demanded from the Centre a grant of ₹1,00,000 crore for the States, which can be distributed according to the States’ share in Central taxes or as per the standards prescribed by the GST Council or Inter-State Council.

In a 15-point note submitted to Prime Minister Narendra Modi after his video-conference with the Chief Ministers on Monday, Mr. Gehlot said the revenue loss compensation given to the States for five years since the implementation of GST should now be increased to 10 years, looking at the local circumstances and economic situation of every State.

Besides, a six-month interest-free moratorium should be granted on payment of installments of principal amount and interest on loans taken by the State governments, their boards, corporations or companies, including the power companies, from the Union government and its various institutions, such as the Power Finance Corporation.

The fiscal expenditure should be encouraged to bail out the economy at this challenging time, said Mr. Gehlot. For this, the Union government should immediately release the first instalment of its share of centrally sponsored schemes and the process of releasing the amount should also be simplified.

The Chief Minister welcomed the decision of increasing the limit for Ways and Means Advances to 60% and demanded that full rebate should be given on interest on advances to the States. Also, the limit of net loan that the States can take should be increased from 3% of State GDP to 5% without any conditions.

As the State’s GDP is around ₹1,00,000 crore, the 2% raise will enable the State to borrow about ₹20,000 crore more from the open market.

As part of the measures to deal with the crisis situation amid rapid deterioration of financial condition, the Rajasthan government has partially deferred the salaries of MLAs and its employees, including the all India services officers, in March, while five-day salary was deducted as contribution to the Chief Minister’s Relief Fund for COVID-19.

In the postponement of salary payment, 75% salary of legislators, 50% salary of all India services officers and 30% salary of other government officials has been deferred.